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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549Expires: September 30, 1999
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FORM X-17A-5
PART III**

SEC FILE NUMBER

8- 53217

FACING PAGE**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING January 1, 2001 AND ENDING December 31, 2001
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**NAME OF BROKER-DEALER: First Star Securities Corporation

OFFICIAL USE ONLY

Four Star Securities Corp
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM ID. NO.

3631 Bob White Road

(No. and Street)

Temple

Texas

76501

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Joseph Hansen

254-721-1052

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION**INDEPENDENT PUBLIC ACCOUNTANT** whose opinion is contained in this Report*

Lott, Vernon & Company, P.C.

(Name — if individual, state last, first, middle name)

20 South 4th Street

Temple

Texas

76501

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 01 2002

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THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

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OATH OR AFFIRMATION

I, Joseph Hansen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Star Securities Corporation, as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Signature

President

Title

Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

First Star Securities Corporation
AUDITED FINANCIAL STATEMENTS

December 31, 2001

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LOTT, VERNON & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

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American Institute & Texas Society of
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
First Star Securities Corporation

We have audited the accompanying statement of financial condition of First Star Securities Corporation (a Texas S-Corporation), as of December 31, 2001, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Star Securities Corporation, as of December 31, 2001, and the results of their operations and their cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedule on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Temple, Texas
February 15, 2002

L. H. Vernon & Co., P.C.

First Star Securities Corporation

**Statement of Financial Condition
December 31, 2001**

Assets

Current Assets

Cash and cash equivalents	\$ 1,543
Investments	11,878
Commissions receivable	2,592
Prepaid expenses	<u>760</u>
Total Current Assets	16,773

Property and Equipment

Furniture and fixtures	\$ 781
Computer equipment	<u>2,788</u>
	3,569
Less: Accumulated depreciation	<u>(223)</u>
Total Property and Equipment	3,346

Total Assets	<u>\$ 20,119</u>
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Liabilities and Stockholder's Equity

Liabilities

Loan from shareholder	<u>\$ 2,316</u>
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Total Liabilities	<u>\$ 2,316</u>
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Stockholder's Equity

Common stock, no par value, 1,000,000 shares authorized, 834,538 shares issued and outstanding	\$ 37,598
Retained earnings	<u>(19,795)</u>

Total Stockholder's Equity	<u>\$ 17,803</u>
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Total Liabilities and Stockholder's Equity	<u>\$ 20,119</u>
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The accompanying notes are an integral part of these financial statements.

First Star Securities Corporation

Statement of Income For the Year Ended December 31, 2001

Revenues

Commissions	\$	4,037
Interest		<u>339</u>

Total revenues	\$	<u>4,376</u>
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Expenses

Bank charges	\$	34
Depreciation expense		223
Legal and professional fees		3,686
License expense		375
Office expense		506
Rent		217
Start up costs		18,489
Utilities and telephone		<u>641</u>

Total expenses	\$	<u>24,171</u>
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Net Income/(Loss)	\$	<u><u>(19,795)</u></u>
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The accompanying notes are an integral part of these financial statements.

First Star Securities Corporation

**Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2001**

	<u>Common Stock</u>		<u>Retained Earnings</u>
	<u>Shares</u>	<u>Amount</u>	
Balance at January 1, 2001	-	\$ -	\$ -
Issuance of Common Stock	834,538	37,598	-
Net Income/(Loss)	<u>-</u>	<u>-</u>	<u>(19,795)</u>
Balance at December 31, 2001	<u><u>834,538</u></u>	<u><u>\$ 37,598</u></u>	<u><u>\$ (19,795)</u></u>

The accompanying notes are an integral part of these financial statements.

First Star Securities Corporation

Statement of Cash Flows
For the Year Ended December 31, 2001

Cash Flows from Operating Activities

Net income/(loss)	\$	(19,795)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation		223
Changes in operating assets and liabilities:		
Commissions receivable		(2,592)
Prepays		(760)
		<hr/>
Net Cash Provided (Used) by Operating Activities	\$	(22,924)

Net Cash Flows From Investing Activities

Acquisition of property and equipment	\$	(3,569)
Purchase of investments		(11,878)
		<hr/>
Net Cash Provided (Used) by Investing Activities	\$	(15,447)

Net Cash Flows From Financing Activities

Sale of stock	\$	37,598
Loan from stockholder		2,316
		<hr/>
Net Cash Provided (Used) by Financing Activities	\$	39,914

Increase in Cash and Cash Equivalents	\$	1,543
Cash and Cash Equivalents at Beginning of Year		<hr/> -
Cash and Cash Equivalents at End of Year	\$	<hr/> <hr/> 1,543

The accompanying notes are an integral part of these statements.

First Star Securities Corporation

Notes to Financial Statements

December 31, 2001

Note 1 - Organization and Nature of Business

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company is a Texas S-Corporation that was formed for the purpose of providing brokerage and investment advisory services to the general public.

Note 2 - Significant Accounting Policies

Securities Transactions

On security trades by customers, the Company acts as the introducing broker on a fully disclosed basis. Customer accounts are maintained on the books of the carrying broker.

Accounting Method

The accounts are maintained on the accrual basis of accounting.

Accounting Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business. The Company did not pay any interest during fiscal year 2001.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives of depreciable assets are:

First Star Securities Corporation

Notes to Financial Statements

December 31, 2001

	<u>Estimated Useful Lives</u>
Furniture and fixtures	7 years
Computer equipment	5 years

Note 3 - Cash and Cash Equivalents

The Company maintains its cash balance in a bank account which was fully insured by FDIC.

Note 4 - S Corporation-Income Tax Status

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Note 5 - Net Capital Requirements

The Company is required to maintain a minimum net capital by SEC Rule 15c3-1. Net capital required under the rule is the greater of \$5,000 or 6-2/3% of the aggregate indebtedness of the Company. On December 31, 2001, the Company had net capital of \$13,697, which was \$8,697 in excess of its required net capital of \$5,000. The ratio of aggregate indebtedness to net capital was .17 to 1.

Note 6 - Customer Protection-Reserves and Custody Securities

The Company's activities are limited to those set forth under subparagraph (k)(1) of Rule 15c3-3; accordingly, the Company claims exemption from all other provisions of the Rule.

Note 7 - Reconciliation Pursuant to Rule 17a-5(D)(4)

Based on our computations of net capital under Rule 15c3-1, as of December 31, 2001, there were no material differences with respondent's unaudited report.

First Star Securities Corporation

Notes to Financial Statements

December 31, 2001

Note 8 – Related Party Transactions

During fiscal 2001, the stockholders provided \$37,598 of operating capital for which the stockholders received stock in the Company. At December 31, 2001, one share of stock is received for every \$1.00 invested.



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Report on Internal Control

To the Board of Directors of
First Star Securities Corporation

In planning and performing our audit of the financial statements and supplemental schedule of First Star Securities Corporation (the Company), for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principals. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Report on Internal Control (Continued)

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, NASD and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Temple, Texas
February 15, 2002

Lett, Vernon Co., P.C.

First Star Securities Corporation

Computation of Net Capital Pursuant to Rule 15c3-1(f)

December 31, 2001

Net Capital	
Stockholder's equity	\$ 17,803
Less nonallowable assets	<u>(4,106)</u>
Net capital before haircuts on security position	\$ 13,697
Haircuts on securities	<u>\$ -</u>
Net capital	<u><u>\$ 13,697</u></u>
<u>Computation of Basic Net Capital Requirement:</u>	
Aggregate Indebtedness	
Total liabilities	<u>\$ 2,316</u>
Net capital required based on aggregate indebtedness	<u><u>\$ 155</u></u>
Excess Net Capital at 1500%	<u><u>\$ 13,542</u></u>
Excess Net Capital at 1000%	<u><u>\$ 13,465</u></u>
Minimum net capital required (Based on minimum dollar requirement)	<u><u>\$ 5,000</u></u>
Excess Net Capital	<u><u>\$ 8,697</u></u>
Ratio: Aggregate Indebtedness to Net Capital	<u><u>\$.17 to 1</u></u>